S 4160-4-PA

# Minnesota Labor Market Trends

Spring 1994

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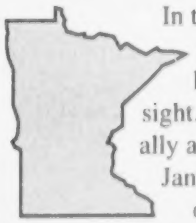
# State and Area Trends

**Total State**

**How low can it go?**



In the first five months of 1994 Minnesota's unemployment rate has practically dropped out of sight. We began the year with a seasonally adjusted rate of 4.5 percent in January and then the rate went to 4.2 or 4.3 percent for the next three months. Then in May, the rate dropped to 3.5 percent (the unadjusted rate was 3.0 percent), which is the lowest the rate has been in 15 years, and the third lowest rate in the nation.

Minnesota's unemployment rate has ranked in the lowest ten states every month so far this year. Nationally, the seasonally adjusted rate was 6.7 percent in January then stayed near 6.5 percent for the next three months and finally in May dropped to 6.0 percent.

It's ironic because this comes after the Bureau of Labor Statistics (BLS) finally revised the system and methodology that produce the labor force estimates. The revision was done both nationally and at the local level and the first major revision of the system in over 20 years. The revision addressed several problems including the well-publicized "gender bias" in the civilian population survey which resulted in an undercount of females in the labor force. The BLS had predicted that unemployment rates would go up one half of a percent with the new methodology and basically braced everyone for higher unemployment rates overall.

**Seasonally-Adjusted Unemployment Rates, U.S. and Minnesota, 1978 to Present**

Starting in January 1994 the unemployment rate is based on new survey methodology.

## Job Growth

Minnesota started the year with a 3.2 percent annual growth rate in total nonfarm employment, which was the highest annual increase from the monthly employer survey since June 1989. By May the annual growth rate had eased back to 2.6 percent, still ahead of the national growth rate of 2.3 percent.

The good news for the state's infrastructure were notable spring increases in construction employment, led by heavy construction (up 4,400 jobs in May) and special trades (up 3,500 jobs). Trade added 5,500 new jobs in May and services posted a gain of 4,700 jobs. Transportation and public utilities employment increased by 1,700 in May but the end of a strike in the trucking industry accounted for much of the increase.

**States with Lowest Unemployment Rates in 1994**

| State | Avg* | Rank |
|---|---|---|
| South Dakota | 2.8 | 1 |
| Nebraska | 2.9 | 2 |
| Utah | 3.4 | 3 |
| Iowa | 3.9 | 4 |
| **MINNESOTA** | **4.1** | **5** |
| North Carolina | 4.3 | 6 tie |
| North Dakota | 4.3 | 6 tie |
| Vermont | 4.6 | 8 tie |
| Wisconsin | 4.6 | 8 tie |
| New Hampshire | 4.8 | 10 |

* average of first five months, 1994 using seasonally adjusted data

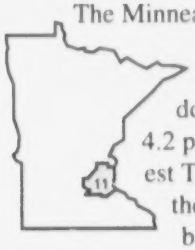
**Unemployment Rates and Job Growth Minnesota, 1989 to Present**

| | 1989 | 1990 | 1991 | 1992 | 1993 |
|---|---|---|---|---|---|
| **Unemployment Rate** (annual average) | 4.3% | 4.8% | 5.1% | 5.1% | 5.1% |
| **Number of Jobs Added** (from prior year) | 58,770 | 42,769 | 7,219 | 48,223 | 56,551 |
| **Percent Growth in Jobs** (from prior year) | 2.9% | 2.0% | 0.3% | 2.3% | 2.6% |
| | **Jan 94** | **Feb 94** | **Mar 94** | **Apr 94** | **May 94** |
| **Unemployment Rate** (seasonally adjusted) | 4.5% | 4.5% | 4.3% | 4.2% | 3.5% |
| **Number of Jobs Added** (from same month in prior year) | 69,089 | 68,526 | 63,141 | 61,334 | 58,358 |
| **Percent Growth in Jobs** (from same month in prior year) | 3.2% | 3.1% | 2.9% | 2.8% | 2.6% |

The overall job growth picture nationally and in Minnesota had been robust for the first four months of 1994, but then slowed slightly in May. The Federal Reserve has kept a sharp eye on the nonfarm employment figures all year in fear of inflation. If the national job counts were much higher than they are, coupled with the very low unemployment rates, it would be a sign that the economy is heating up much too quickly. After five interest rate hikes early in the year, the good (but not too good) employment figures in May, and very slight increases in the consumer price index, there is hope that further intervention from the Federal Reserve Board may not be necessary, at least in the near future.

## Minneapolis - St. Paul MSA

### Job Growth Strong--Rate Keeps Dropping



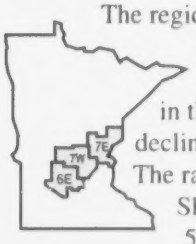

The Minneapolis-St. Paul MSA (Metropolitan Statistical Area) unemployment rate for May 1994 was 2.5 percent, down from 3.3 percent in April and 4.2 percent a year ago. This is the lowest Twin Cities unemployment rate in the current revised series which goes back through 1990. The cities of Minneapolis and St. Paul proper had rates of 3.0 percent and 3.1 percent respectively, in May. Carver County had the lowest rate of 2.0 percent within the MSA.

Nonagricultural employment increased by 2.1 percent or 30,400 jobs since May 1993. Like the state, the Twin Cities area started the year with very strong job growth (3.2 percent), which has eased back slightly each month so far this year. Services increased by 13,200 jobs from May 1993, with business services and health services showing 4,000 and 2,350 new jobs respectively.

Among the other major industry groups, trade added 7,900 jobs over the year and finance, insurance and real estate (FIRE) added 4,300 jobs. Manufacturing added 1,900 jobs over the year while construction stayed at virtually the same level. Government grew by 3,000 jobs and half of those jobs were in state government education.

## Central Minnesota

### St. Cloud Loses Sherburne County



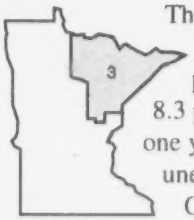

The regions in the Central Minnesota area had an average unemployment rate of 3.2 percent in May. All counties in this area experienced significant declines from April and one year ago. The rates ranged from 2.8 percent in Sherburne and Stearns counties to 5.7 percent in Kanabec County. The St. Cloud Metropolitan Statistical Area (MSA) had a 2.9 percent unemployment rate in May, down from 4.3 percent in April and 4.4 percent a year ago.

The St. Cloud MSA grew by 3 percent in nonagricultural employment over the year, a gain of 2,400 jobs since May 1993. The strongest gains were in the services industry with 600 new jobs, followed by manufacturing and trade, each with about 500 new jobs. Construction employment was up 9.6 percent over last year with 330 new jobs.

After the federal BLS revisions at the beginning of the year, Sherburne County was taken out of the St. Cloud MSA and is now reported in the Minneapolis-St. Paul MSA. Initially there was a drop in the annual rate of growth in nonfarm employment, however, by May the rate of growth had rebounded back near 1993 levels.

## Northeast Minnesota

### Duluth Faces Layoffs

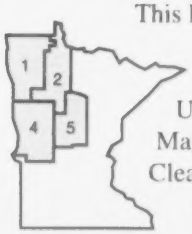



The unemployment rate in Northeastern Minnesota was 5.9 percent in May 1994, down from 8.3 percent the previous month and one year ago. This is the lowest unemployment rate for this area since October 1990. The City of Duluth had an unemployment rate of 4.4 percent, considerably lower than the 6.4 percent in May 1993.

Annual job growth in the City of Duluth was at 1.6 percent in both December and January and had not been that high since April 1992. In April and May of 1994, the nonfarm totals held close to last year's levels. Duluth will be facing major layoffs by two large area employers later this year.

## Northwestern Minnesota

### Grand Forks Shows Strong Job Growth



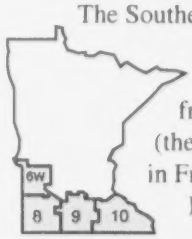

This large and diverse area of the state had a combined unemployment rate of 4.2 percent in May 1994. Unemployment rates by county in May ranged from 11.8 percent in Clearwater County to 2.3 in Roseau County. All counties showed decreases in unemployment rates of at least one full percentage point from the previous month. The unemployment rate in Clearwater County, for example, improved 7 percent from April to May 1994.

The Grand Forks-East Grand Forks Metropolitan Statistical Area (MSA) gained 2,000 nonagricultural jobs since May 1993, a 4.4 percent increase. This was the largest annual growth rate among all the state's MSA's. Over half of the new jobs were in services.

The Fargo-Moorhead MSA started the year with a 3.8 percent annual increase in employment and has eased back to a 1.1 percent increase in both April and May, a gain of 1,000 jobs since May 1993. Most of the May increase was in construction.

## Southern Minnesota

### Rochester Recovers Well




The Southern Minnesota regions had an average unemployment rate of 2.9 percent in May. Rates ranged from 1.6 percent in Houston County (the lowest in the state) to 6.2 percent in Freeborn County. The Rochester MSA had an unemployment rate of 2.6 percent, a decline from 3.6 percent in April and 3.0 percent in May 1993.

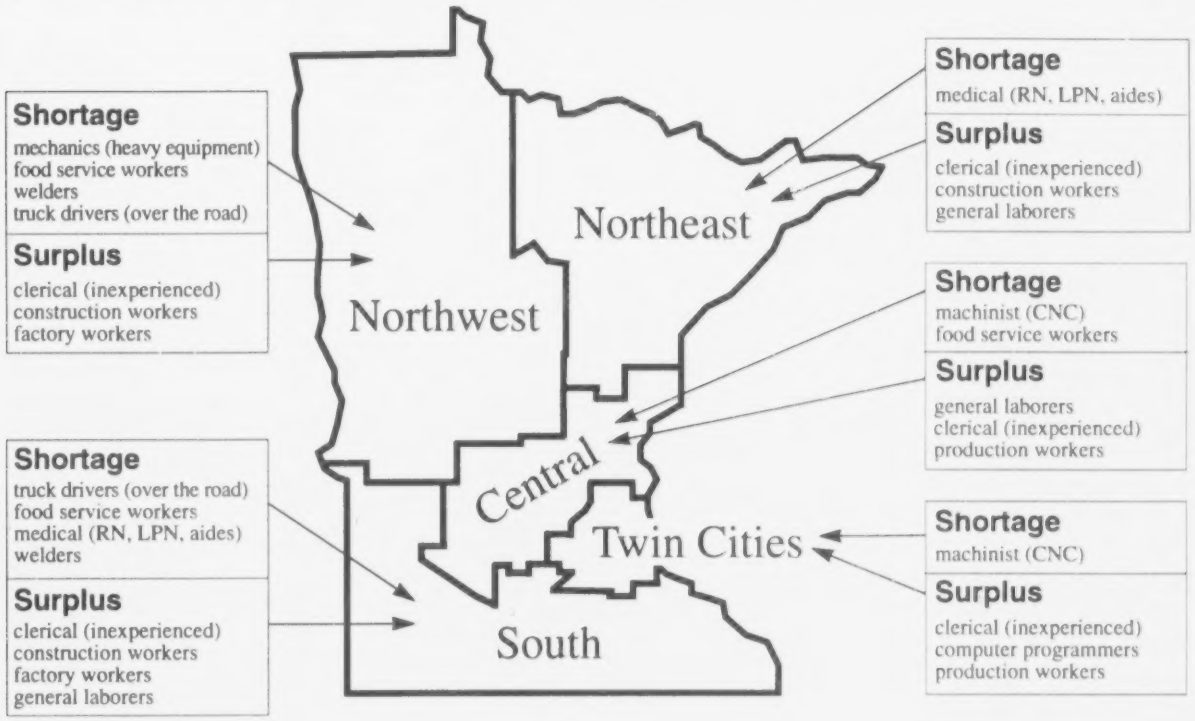
Nonagricultural employment grew by 1 percent since May 1993 in the Rochester MSA. A 7.8 percent decline (940 jobs) in manufacturing employment reflects the layoffs at IBM which have occurred within the past year. This decline was balanced by a gain of 975 jobs in retail trade and strong gains in services (830 jobs).

The Rochester area labor market has shown resilience in recovering from the IBM layoffs of last year. Despite the decline in manufacturing employment from last year's level, the nonfarm totals have consistently been higher than the year-ago figures.

*By Rick Caligiuri*

# Regional Worker Shortages and Surpluses

A **worker shortage** exists when an occupation is difficult to fill or there are few qualified applicants. A **worker surplus** exists when there is a sizable excess of qualified applicants.




## Analysis

There are few differences from last year in the list of occupations currently seeing shortages or surpluses of qualified applicants. While machinist is the only occupation that remains in short supply in the Twin Cites area, a lack of sufficient truck drivers, welders, food service and medical workers are cited in several other regions. With the exception of welders, all of these lines of work were difficult to fill throughout 1993. The degree to which medical fields are in short supply, however, is diminishing.

There is even more consistency as to which occupations have plenty of candidates for available jobs. Inexperienced clerical, construction, factory/ production workers and general laborers continue to face a hard time finding work in most regions of Minnesota. As in 1993, there is also a sizeable excess of computer programmers in the Twin Cities area.

*by Don Hilber*

## Methods

This "shortage/surplus" list of occupations is gathered from 45 Job Service offices throughout the state. A questionnaire is sent to each local office asking a representative to indicate occupations in their local labor market that they consider either hard to fill or easy to fill. No attempt is made to quantify the number of applicants or openings, because attempting a rigid numeric method in the past brought about some unrealistic and statistically invalid results. Occupations selected by the local offices are listed by region, with those most frequently mentioned making the final summary as shown above. Many occupations are listed by one or more offices but not often enough to be listed.

Please note that the appearance of an occupation as a "shortage" should not be taken as an assurance that qualified applicants will be placed, but as an indicator that this type of job has one or more employers currently accepting interviews. The appearance of an occupation as "surplus" should not be looked at as a reason to end one's job search, but as an indicator that competition for openings may be intense. For further information on these methods please call Mike Casey at (612) 296-6545.

# Business Developments

## Construction

- **Twin Cities builders**, ranking 10th in the nation, experienced another boom year in 1993. Single family home construction was up approximately 4.4 percent from last year, also a boom year. Low interest rates and improved consumer confidence are credited for the good sales.

## Manufacturing

- Plymouth-based **Banner Engineering,** which makes photo-electric sensors, plans to expand manufacturing operations. Production will begin in Fergus Falls by mid-1994. The new plant will employ 20 workers initially, and expects the work force to reach 150 in three to five years.

- **Dahlberg Inc.**, making hearing aids and supplies, has let go more than 100 workers since last fall. This cutback included 103 workers in Golden Valley and 15 in Turtle Lake, Wiscosin.

- **Fisher Nut Company**, employing 288 people in its St. Paul plant, will have closed its doors by June 1994. Retraining will be needed for many of the highly skilled plant employees whose specific tasks are not easily transferable to other industries.

- Cuts in federal military budgets are forcing layoffs at two smaller defense contractors in the Twin Cities area. Bloominton-based **Hitchcock Industries** Inc., has closed its Lakeville plant putting up to 125 people out of work and **CTS Corp./Connector Division** has laid off 65 employees from its New Hope plant.

- **Honeywell** will close and sell plants in St. Louis Park and Bloomington. The closings will result in a limited number of layoffs since most employees will be relocated to other Twin Cities plants. The consolidations are related to declining federal defense spending.

- **Hutchinson Technology Inc.** has been increasing its staff dramatically. Hutchinson is the world's only maker of a disk drive component that is now in high demand. To keep up with orders, the company has added about 775 employees in the past year.

- **Jostens Inc.** of Bloomington has cut approximately 200 jobs as it scales back operations. The cuts come as part of a broad-based plan to improve the company's profitability.

- **Liberty Paper** plans to open a card-board recycling plant in Becker. The New Hope based plant says it will employ more than 100 people and keep 110,000 tons of used cardboard out of landfills annually.

- **Seaboard Farms** of Albert Lea cut more than 600 jobs from its hog- and lamb-kill operation in March. Of the plant's 1,000-plus workers, 300 will remain employed to process hams, bacon and sausage.

- A paper recycling plant, **Superior Recycled Fiber Industries (SRFI)**, opened in Duluth last fall. The plant is designed to handle 6 percent of all office waste paper in the U.S., de-ink, it and transform it into high quality pulp for making premium paper. The plant has generated 30 in-house and nearly 100 spin-off jobs in transportation and support services.

- **Unisys Corp**. laid off 100 workers from its Eagan-based work group. The cuts were due to declining government defense spending. Unisys is also considering moving about 125 employees to staff a small office in North Dakota .

## Transportation, Communication, Public Utilities

- **Burlington Northern Railroad** is investing $21 million to expand its data center in downtown St. Paul. The expansion includes a significant investment in new technology and plans to hire 50 analysts and programmers.

- Telephone company **U.S. West** will slash 9,000 jobs over the next three years. Approximately 700 to 900 union and nonunion jobs in Minnesota will be eliminated. Hardest hit will be marketing and maintenance employees in Duluth and Rochester.

- **AT&T** will eliminate 14,000 to 15,000 jobs over the next two years. In Minnesota, the cuts will eliminate 123 Communication Workers of America union jobs and 15 management jobs at AT&T's center in Bloomington by July 1.

## Trade

- In addition to closing its down-town stores in Minneapolis and St. Paul, **Carson Pirie Scott** has closed its Highland and Knollwood stores. The two newest stores to close employ about 240 people, but Carsons plans to place them in other metro Carsons locations.

# Business Developments

- **CompUSA** is opening three stores within the Twin Cities. The first CompUSA opened in Roseville Commons, another will be located in Bloomington, the third location has not yet been disclosed.

- The **Highland Super Valu** located in Duluth closed its doors due to higher costs, lower sales and increased competition. Approximately 50 people were affected, many of them part-time employees.

- **Kohl's** will open it's seventh Twin Cities store in Eagan and is close to a deal in Eden Prairie. The retailer recently opened its first store in St. Cloud. Kohl's continues to look for opportunities in the Twin Cities and greater Minnesota.

- A discount shopping center called **Midway Marketplace** will be built on the old Montgomery Ward's site in St. Paul's Midway neighborhood. The new complex will not only boost retail in the area, but will also create 600 construction jobs and 2,000 permanent jobs.

- **Montgomery Ward's** is undergoing a rejuvination strategy. Several stores in the metro area will be upgraded to make it a stronger competitor in the market. A new store opened recently in City Center in downtown Minneapolis, and a new Ward's will also be housed in the new Midway Marketplace.

- **Woolworth Corp**. closed 17 stores from Fairmont to Bemidji, leaving only one surviving outlet in Minnesota--the Apache Mall unit in Rochester survived the nationwide cutback.

## Finance, Insurance, Real Estate

- **Edina Realty** recently expanded its operations into Chanhassen and Lakeville. The latest expansion caps a year of growth, bringing the number of markets the firm has entered this year up to 14.

- **First Bank System** plans to exit the correspondent mortgage loan business, idling about 40 people. Some of those employees might be absorbed into FBS Mortgage's retail operation.

- **Prudential Insurance** will cut about 900 employees at its regional office in Minneapolis. The layoffs, to be completed by the end of 1994, will boost productivity by consolidating administrative functions elsewhere. Most operations of the Minneapolis office will be assumed by offices in Los Angeles, Atlanta and Philadelphia.

- **St. Paul Cos.** expects to eliminate 600 jobs by consolidating and reorganizing operations. Approximately 180 jobs will be lost at its headquarters in downtown St. Paul. The jobs will be eliminated later this year and throughout 1995.

## Services

- The **Country Inn & Suites** chain built a seven-story flagship hotel on the southern border of the Mall of America in Bloomington. The hotel opened in May, and employs approximately 40 people.

- The **Mayo Clinic** plans to save $18.5 million by eliminating 450 jobs this year, primarily through attrition and reassignments. Other jobs will be offered to those being displaced and transfers to affiliated clinics and facilities are likely. The reduction represents less than 3 percent of Mayo's 15,570 full-time employees.

- **Minnesota hospitals** are shrinking. No hospital in the metropolitan area is immune to the cost pressures caused by restrictions on Medicare reimbursement and pressure by HMO's and insurance companies for a fast discharge of patients. Some hospitals are closing entire units, some are retraining their inpatient personnel to do home care and almost all of them are eliminating jobs.

- **PGI Mailers** of New Ulm, a leader of mass mailing for companies like JC Penney and Thomas Publishing, recently built a 20,000 square foot addition to its existing facility. PGI Mailers has 75 full-time positions and added a dozen more this year.

*By Barbara Gorski*

"Regional Business Developments" is compiled from newspapers, periodicals, trade publications and reports from local Job Service offices as well as other local area contacts. We are always looking for more material, so if you see anything relating to Minnesota businesses either adding or laying off workers (or plans to that effect) or any business developments relevant to local labor market conditions please call, send or fax them to us. Due to space limitations we may not be able to list all developments. Those that cite specific numbers of jobs and are actual events (not proposals) will receive preference.

Rick Caligiuri - Research Office, MN Dept. of Jobs and Training
390 N. Robert, St. Paul, MN 55101
(612) 297-5450 Voice or (612) 282-5429 Fax

# Feature Article

## *Minnesota's Temporary Help Industry*

By the end of the decade, one of three U.S. workers is expected to be making a living on the outside of an organization. In 1993, it was estimated that contingent workers comprise 25 percent of the U.S. workforce. Temporary help workers make up a large portion of this contingent workforce.

The temporary help services industry has exhibited some of the strongest employment growth seen in any sector of both the national and the state's economy. Along with this growth comes many issues and concerns such as how the growing number of employees are being matched to jobs, what major reasons are behind the increased use of temporary help by firms, for what reasons do employees choose to work in the temporary help industry, and what benefit structure is available for these employees?

To learn more about this industry and these underlying issues, a mail survey of the 420 temporary help agencies located and currently operating in Minnesota was conducted. The survey asked for data based on an agency's current activities. Ninety completed surveys were returned, resulting in a return rate of approximately 20 percent. This rate of return satisfied an expected distribution according to geographic area and agency size and, therefore, is believed to be a fair representation of the state's industry.

**Technical Note: Temporary help agencies comprise about 90 percent of Standard Industrial Code (SIC) 736, which also includes other types of employment agencies. Data for this category was available up to the present from the Current Employment Statistics (CES) monthly establishment survey. Information for the detail category help supply services (SIC 7363) was available through 1992 from the covered employment data. Information is not available prior to 1988 due to SIC coding changes.**

### Continued Growth in Firms and Jobs

Generally, growth trends in Minnesota's help supply services industry (Standard Industrial Code 7363) reflect what has occurred nationwide. The number of agencies entering Minnesota's temporary help industry has steadily increased to a total of 420 at the end of 1992, compared to 315 at the end of 1988 (Figure 1).

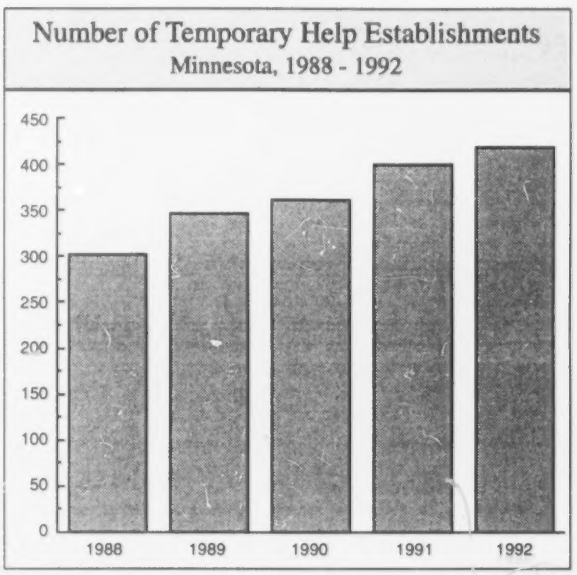



Figure 1

Employment growth in this industry has shown cyclical patterns since 1988, with consecutive decreases occurring in 1990 and 1991. However, a substantial recovery did occur, increasing 25 percent in 1992 (Figure 2).

Data shows that, nationally, the growth was a little more stable, with only a slight decrease occurring in 1991. Minnesota's employment as a percentage of national employment in this sector has remained relatively constant, with the only real decrease

## Employment in Temporary Help Industry 1988 - 1992

Average Annual Employment (SIC 7363)

| Year | Minnesota Employment | % Chg. | National Employment | % Chg. |
|---|---|---|---|---|
| 1988 | 26,744 | ---- | 1,125,900 | ---- |
| 1989 | 29,300 | 9.4 % | 1,215,800 | 7.9 % |
| 1990 | 26,527 | -9.4 | 1,288,200 | 6.0 |
| 1991 | 25,706 | -3.1 | 1,268,400 | -1.5 |
| 1992 | 32,157 | 25.1 | 1,426,500 | 12.5 |

Minnesota Employment (SIC 7363) as Percent of Employment

| Year | National (SIC 7363) | Total Covered | Minnesota (SIC 736) |
|---|---|---|---|
| 1988 | 2.21 % | 1.36 % | 92.6 % |
| 1989 | 2.26 | 1.44 | 92.7 |
| 1990 | 2.25 | 1.28 | 90.4 |
| 1991 | 2.15 | 1.24 | 89.9 |
| 1992 | 2.23 | 1.51 | 89.9 |

Figure 2

occurring in 1991, which was the year Minnesota recorded its lowest annual average employment for the period.

There has been only a slight fluctuation in the share Minnesota's temporary help industry employment has had of total covered employment in Minnesota. As far as its representation in the larger personnel supply services industry (SIC 736), it has continued to represent about 90 percent of employment, showing a slight decrease in proportion from 1988 to 1991, but remaining steady into 1992 (Figure 3).

Looking at the larger personnel supply services industry (SIC 736) at both the state and national level, the trends have been the same (Figure 4). Minnesota's personnel supply services employment showed a decline from 1989 to 1991, with a healthy recovery into 1992, and continued growth through 1993. Growth rates in 1994 for the months of January through June over the previous similar months of 1993 support this trend, showing an average growth of about 12 percent. Nationally, the only employment decline in this large industry occurred from 1990 to 1991. Again, Minnesota's employment as a percentage of the national employment has remained

## Jobs in Personnel Supply Services (SIC 736)

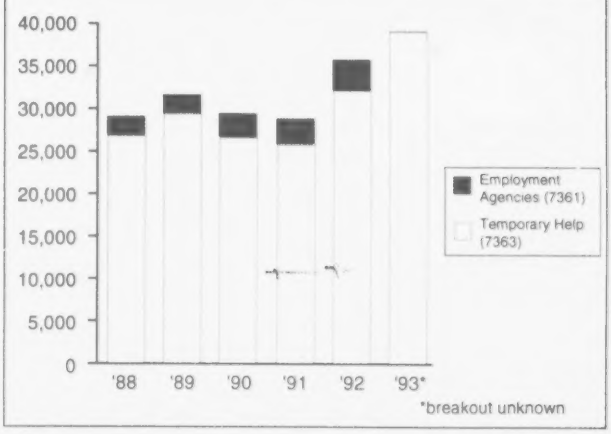



Figure 3

relatively constant. Considering Minnesota's personnel supply services employment as a percentage of Minnesota nonfarm employment there was, however, a significant increase over the five-year period.

## Employment in Personnel Supply Services, 1988 - 1993

Average Annual Employment (SIC 736)

| Year | Minnesota Employment | % Chg. | National Employment | % Chg. |
|---|---|---|---|---|
| 1988 | 28,918 | --- | 1,350,400 | --- |
| 1989 | 31,599 | 9.3 % | 1,454,500 | 7.7 % |
| 1990 | 29,318 | -7.2 | 1,534,500 | 5.5 |
| 1991 | 28,601 | -2.4 | 1,484,500 | -3.2 |
| 1992 | 35,780 | 25.1 | 1,648,600 | 11.0 |
| 1993 | 39,071 | 9.2 | 1,977,000 | 19.9 |

Minnesota Employment (SIC 7363) as Percent of Employment

| Year | National (SIC 736) | Minnesota Nonfarm |
|---|---|---|
| 1988 | 2.14 % | 1.43 % |
| 1989 | 2.17 | 1.51 |
| 1990 | 1.91 | 1.37 |
| 1991 | 1.92 | 1.33 |
| 1992 | 2.20 | 1.64 |
| 1993 | 1.97 | 1.74 |

Figure 4

## Matching Jobs to Workers

Today, there is a more diversified temporary help industry than in the past. Employees now offer a broader set of skills and are seeking a wider range of jobs that are more readily available with the increasing number of firms that are using temporary help. Minnesota's temporary agencies report that in 1993 about one-third of their employees were placed in each of the manufacturing and service sectors, and about 10 percent were placed in financial, insurance and real estate (FIRE) jobs. This is comparable to a 1984 survey done by the Twin Cities Labor Market Information Center which found that the manufacturing, finance/insurance/real estate (FIRE) and services sectors accounted for over 80 percent of all temporary placements. However, temporary employees today are primarily seeking jobs in the professional and technical occupations, as well as in clerical and administrative support ones. This is a change from the 1984 survey where close to one-half of all temporary employees were clerical workers.

Staffing patterns seen in Minnesota's temporary help industry are somewhat, although not completely, consistent with those seen in the larger Minnesota personnel supply services industry (SIC 736), as shown by the results of a 1990 Occupational Employment Survey (OES) of temporary help agencies. The temporary help survey showed that the production/ construction/maintenance, the clerical/ administrative support and professional/technical occupations each constituted about one-third of total temporary employment occupations. The OES survey showed fewer professionals. Possible reasons include definitional error and smaller temporary agencies that specialize in a specific trade being equally weighted with more "general labor" agencies. Also, employees may report possessing specific occupational skills but then may accept work in another occupational category.

When agencies were asked in which occupations is it easiest to place employees, responses included general labor, programming and light assembly jobs. Difficult occupations to place included very specialized jobs like skilled technicians, medical nursing, engineering and management positions. There was some overlap in responses regarding ease or difficulty in placement, which included word processing and secretarial jobs.

### Responses From Survey of Temporary Help Supply Agencies

**Occupation of Registered Employees**

| | |
|---|---|
| Professional/Technical | 31% |
| Clerical/Administrative Support | 25% |
| Service | 10% |
| Construction/Maintenance | 7% |
| Managerial/Administrative | 3% |
| Sales | 1% |
| Other* | 23% |

*production, agricultural, laborer

**Industry Placements of Registered Employees**

| | |
|---|---|
| Manufacturing | 36% |
| Service | 30% |
| Finance/Insurance/Real Estate | 8% |
| Other* | 26% |

*Construction, Government, Wholesale/Retail Trade

**Gender of Registered Empoyees**

Men 34% Women 66%

**Average Time Employee Stays Registered with Agency** 11.1 months

**Temporary Placements that became Permanent During 1993** 18%

**Typical Time a Registered Employee is Contracted Out to a Firm** 3.1 months

**Main Reason Employees Work at Temporary Services Agencies**

| | |
|---|---|
| Hoping it leads to permanent position | 33% |
| Unemployed | 28% |
| Prefer it to permanent | 21% |
| Need of second income | 9% |
| Other | 9% |

**Reasons why Firms use Temporary Help Agencies (rank order)**

1 Cyclical demands
2 Special projects
3 Flexibility
4 To lower hiring/training costs
4 Screening method for recruiting permanent employees
6 Replacement needs
7 Uncertainty of the economy
8 Wide range of available services

**Benefits Offered by Agencies**

| | |
|---|---|
| Vacation pay | 69% |
| Health insurance | 44% |
| Performance bonuses | 43% |
| Pensions | 21% |
| Paid sick leave | 10% |
| No benefits offered | 12% |

Figure 5

## Employing and Working Temporary Help

The amount of time an employee is contracted out to a firm varies from daily to several years, reflecting the different reasons and amount of time employees are needed by firms for such things as special projects or seasonal work. In 1993, a temporary worker's job assignment lasted for an average of about three months.

It is difficult to list all the reasons why firms have increased their use of temporary workers over the last several years. However, in this survey the agencies seemed to feel the major reasons include cyclical demand faced by the firm, special projects and flexibility of the temporary workforce. The reasons of least importance seem to be a firm's uncertainty of the economy and the wide range of available services provided by temporary employees.

Agencies feel that the biggest reason employees choose to work in the temporary field is a combination of being unemployed and hoping that temporary work will lead to a permanent position. The temporary workforce, which includes about twice as many women as men, stays registered with an agency for about one year. Yet, a large percentage (approximately 20 percent) left agencies last year to take up permanent positions.

## Available Benefits

Many believe that the major shortfall of temporary work is a lack of health coverage and benefits. Workers are supervised by the firms for which they perform work, yet they are paid by the temporary agency where they are registered so it is difficult to establish who is legally and financially responsible for setting up a benefit structure for the temporary employee.

Results from the 1984 Twin Cities Labor Market survey showed that almost 60 percent of temporary agencies surveyed didn't offer any type of benefits. Those that did only offered training programs, vacation pay and performance bonuses. However, rather than finding a lack of benefits today, the current survey revealed that nearly 90 percent of all temporary agencies in Minnesota do offer some type of benefits to their employees. Over two-thirds of the firms surveyed offer vacation pay. Approximately half offer performance bonuses along with some type of health insurance. The 12 percent of firms in the survey that do not offer any kind of benefits were very specialized agencies, namely those that provide nursing aids, building designers and pharmacists.

The average amount of time employees are required to work in order to qualify for benefits varies from agency to agency. At two of the agencies in the survey, employees immediately qualify for such benefits as vacation or holiday pay and performance bonuses. However, at most agencies there is a specific amount of time required in order to qualify for benefits (the average was about 850 hours). Assuming a 40-hour work week, this results in working approximately 21 weeks or about 5 months; with a 20-hour work week, it extends to 42 weeks or 10 months.

## Conclusion

Minnesota has witnessed continued growth in employment in its temporary help industry over the past several years, as the number of help supply firms has steadily increased. Today, this growing workforce not only seeks jobs in clerical occupations, but is attracted to a growing list of other jobs as well. It continues to be easier for agencies to place employees in more general labor positions, rather than in more specialized, highly technical jobs. As firms continue to increase their demand for temporary help, the need for more diverse skills in the temporary workforce will increase as well.

The question of benefit coverage available to temporary workers will continue to be an important topic of discussion as this industry continues to grow. A large percentage of Minnesota's temporary agencies offer an assortment of benefits today, although in varying amounts, and with different eligibility requirements. As more agencies enter into the industry looking for and finding a wider range of skilled workers, and an increased package of benefits becomes available, the option of using temporary help becomes more attractive for firms that employ their services and workers as well.

*By Stephanie Roscoe and Don Hilber*

Minnesota
Labor Market Trends

MINNESOTA DEPARTMENT OF
Economic Security
RESEARCH & STATISTICS OFFICE
390 NORTH ROBERT STREET
ST. PAUL, MN 55101

(612) 296-6545 (VOICE)
(612) 282-5429 (FAX)
(612) 297-7343 (BBS)

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## In case you hadn't noticed...

...this edition of *Minnesota Labor Market Trends* is shorter than its predecessors. You are not missing any pages. We are converting to a 12-page report in order to better meet your stated desire for timely, local information.

Our previous incarnations of this publication contained several sections that housed valuable information, but made it difficult to issue consistently given our commitment to produce other reports. Readers cite timeliness of data as an overwhelming priority, with local detail another strongly desired attribute. We have therefore streamlined this publication to assure regular delivery, while keeping those portions devoted to an analysis of sub-state labor markets -- State/Local Conditions, Business Developments and Shortage/ Surplus Occupations. We will also maintain the Feature Article, a popular section that covers a wide range of pertinent topics, now to sometimes include what had been covered under Occupational Outlook.

Our overall intention has been to devote Minnesota Labor Market Trends to periodic analysis, while the Minnesota Labor Market Review is meant to quickly provide current monthly data on state and local labor markets. Consequently, the half-page section on the Consumer Price Index (CPI) will now appear in the latter.

We hope you are satisfied with these changes, and welcome any feedback.

Also note that the name of the name of the Department of Jobs and Training has been changed to the Department of Economic Security to fully reflect the role, mission and responsibility of the department.

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Production Staff: Rick Caligiuri, Mike Casey, Barbara Gorski, Don Hilber

Director: Med Chottepanda
Commissioner: R Jane Brown